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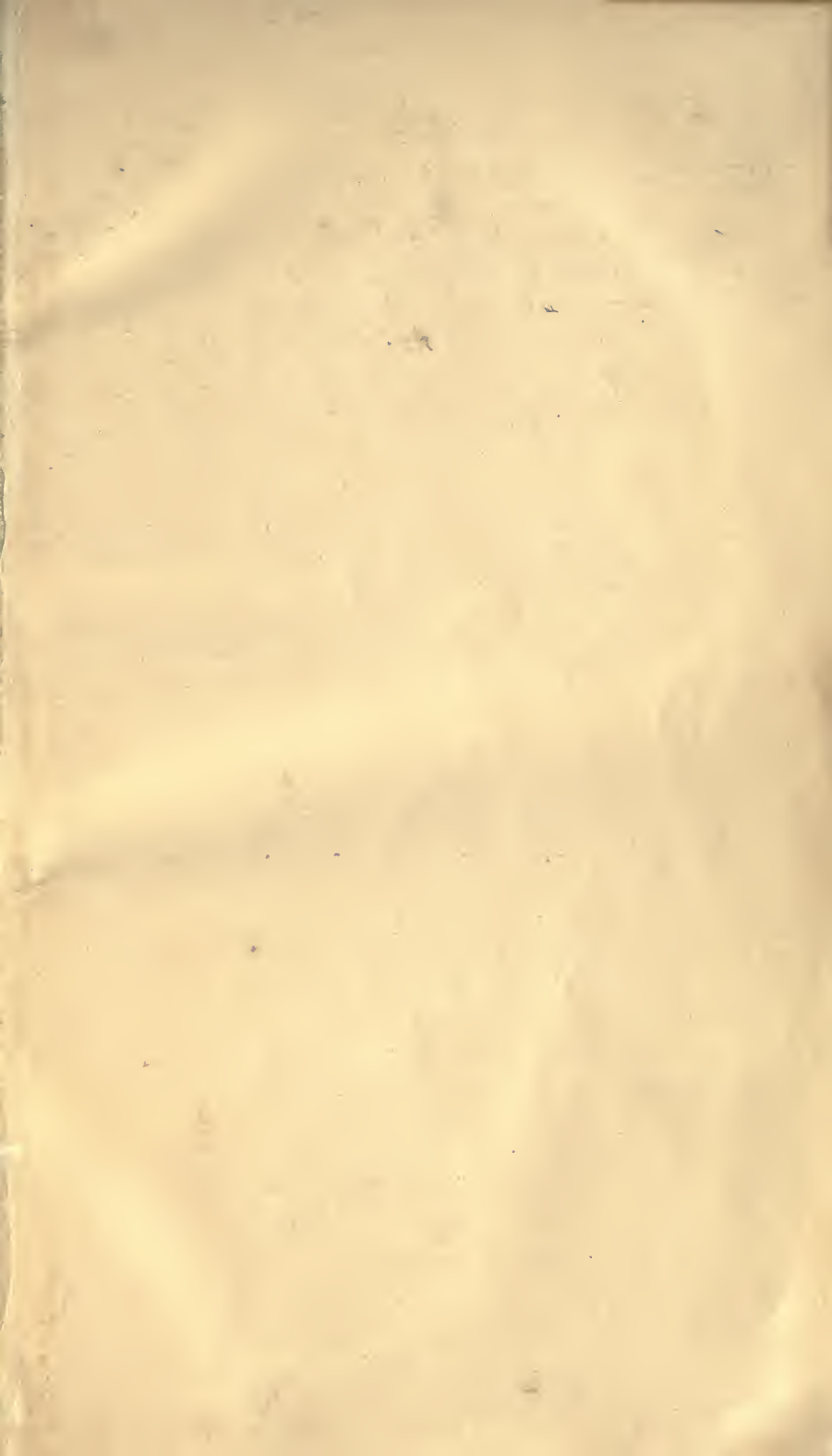
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# SPEECH

OF

MR. CALHOUN, OF SOUTH CAROLINA,

ON

THE REPORT OF MR. GRUNDY, OF TENNESSEE,

IN

RELATION TO THE ASSUMPTION OF THE DEBTS OF THE STATES BY  
THE FEDERAL GOVERNMENT.

SENATE U. S. FEBRUARY 5, 1840.

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WASHINGTON:

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THE BOARD OF SUPERVISORS

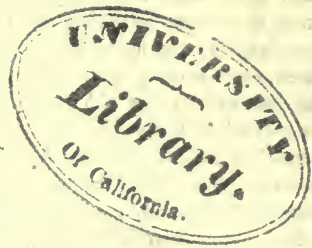
OF THE COUNTY OF ALBANY

IN RESPONSE TO A RESOLUTION PASSED BY THE BOARD OF SUPERVISORS  
ON THE 10TH DAY OF JANUARY 1870

ALBANY, N. Y.

PRINTED BY

THE ALBANY PRESS



## SPEECH.

In Senate, Wednesday, February 5, 1840—On Mr. GRUNDY'S report in relation to the assumption of the debts of the States by the Federal Government.

Mr. CALHOUN said:

When I have heard it asserted, again and again, in this discussion, that this report was uncalled for; that there was no one in favor of the assumption of State debts, and that the resolutions were mere idle, abstract negatives, of no sort of importance; I could not but ask myself, if all this be so, why this deep excitement? why this ardent zeal to make collateral issues? and, above all, why the great anxiety to avoid a direct vote on the resolutions? To these inquiries I could find but one solution; and that is, disguise it as you may, there is, in reality, at the bottom, a deep and agitating question. Yes, there is such a question. The scheme of assuming the debts of the States is no idle fiction. The evidence of its reality, and that it is now in agitation, burst from every quarter, within and without these walls, on this side and the other side of the Atlantic; not, indeed, a direct assumption, for that would be too absurd; and harmless, because too absurd; but in a form far more plausible and dangerous—an assumption, in effect, by dividing the proceeds of the sales of public lands among the States.

I shall not stop to show that such distribution, under existing circumstances, with the deep indebtedness and embarrassment of many of the States, would be, in reality, an assumption. We all know, that without such indebtedness and embarrassment, the scheme of distribution would not have the least chance for adoption, and that it would be perfectly harmless, and cause no excitement; but plunged, as the States are, in debt, it becomes a question truly formidable,

and on which the future politics of the country are destined for years to turn. If, then, the scheme should be adopted, it must be by the votes of the indebted States, in order to aid their credit, and lighten their burden; and who is so blind as not to see that it would be in truth, what I have asserted it be in effect, to that extent, an assumption of their debts.

Here, then, we have the real question at issue, which has caused all this excitement and zeal—a question pregnant with the most important consequences, immediate and remote. What I now propose is, to trace rapidly and briefly some of the more prominent, which would result from this scheme, should it ever become a law.

The first, and most immediate, would be to subtract from the Treasury a sum equal to the annual proceeds of the sales of the public lands. I do not intend to examine the constitutional question whether Congress has or has not the right to make the subtraction, and to divide the proceeds among the States. It is not necessary. The committee has conclusively shown that it has no such power; that it holds the public domain in trust for the States in their Federal capacity as members of the Union, in aid of their contribution to the Treasury; and that to denationalize the fund, (if I may use the expression,) by distributing it among the States for their separate and individual uses, would be a manifest violation of the trust, and wholly unwarranted by the Constitution. Passing, then, by the constitutional question, I intend to restrict my inquiry to what would be its fiscal and moneyed effects.

Thus regarded, the first effect of the subtraction would be to cause an equal deficit in the revenue. I need not inform the Senate that there is not a surplus cent in the Treasury; that the most rigid eco-



mony will be necessary to meet the demands on it during the current year; that the revenue, so far from being on the increase, must be rapidly reduced, under existing laws, in the next two years; and that every dollar withdrawn, by subtracting the proceeds of the public lands, must make a corresponding deficit. We are thus brought to the question, what would be the probable annual amount of the deficit, and how is it to be supplied?

The receipts from the sales of the public lands, I would suppose, may be safely estimated at five millions of dollars at least, on an average, for the next ten or fifteen years. They were about six millions the last year. The first three quarters gave within a fraction of five and a half millions. The estimate for this year, is three and a half millions; making the average of the two years but little short of five millions. If, with these data, we cast our eyes back on the last ten or fifteen years, we shall come to the conclusion, taking into consideration our great increase of population and wealth, and the vast quantity of public lands held by the Government, that the average I have estimated is not too high. Assuming, then, that the deficit would be five millions, the next inquiry is, how shall it be supplied? There is but one way; a corresponding increase of the duties on imports. We have no other source of revenue, but the Post Office. No one would think of laying it on that, or to raise the amount by internal taxes. The result, then, thus far, would be to withdraw from the Treasury five millions of the proceeds of the sales of the public lands, to be distributed among the States; and to impose an equal amount of duty on imports, to make good the deficit. Now I would ask, what is the difference, regarded as a fiscal transaction, between withdrawing that amount for distribution, and imposing a similar amount of duties on the imports, to supply its place, and that of leaving the proceeds of the sales of the land in the Treasury, and imposing an equal amount of duties for distribution? It is clearly the same thing, in effect, to retain the proceeds of the public lands in the Treasury and to impose the duties for distribution, or to distribute the proceeds and thereby force the imposition of the duties to supply the place.

It is, then, in reality, a scheme to impose five millions of additional duties on the importations of the country, to be distributed among the States; and I now ask where is the Senator who will openly avow himself an advocate of such a scheme? I put the question home, solemnly, to those on the opposite side, do you not believe that such a scheme

would be unconstitutional, unequal, unjust, and dangerous? And can you, as honest men, do that in effect, by indirect means, which, if done directly, would be clearly liable to every one of those objections?

I have said such would be the case, regarded as a fiscal transaction. In a political point of view, the distribution of the proceeds of the sales of the land would be the worst of the two. It would create opposing and hostile relations between the old and new States, in reference to the public domain. Heretofore the conduct of the Government has been distinguished by the greatest liberality, not to say generosity, towards the new States, in the administration of the public lands. Adopt this scheme, and its conduct will be the reverse. Whatever might be granted to them, would subtract an equal amount from the sum to be distributed. An austere and rigid administration would be the result, followed by hostile feelings on both sides, that would accelerate the conflict between them in reference to the public domain—a conflict advancing but too fast by the natural course of events, and which any one, in the least gifted with foresight, must see, come when it will, would shake the Union to the centre, unless prevented by wise and timely concession.

Having shown that the scheme is, in effect, to impose duties for distribution, the next question is, on whom will they fall? I know that there is a great diversity of opinion as to who, in fact, pays the duties on imports. I do not intend to discuss that point. We of the staple and exporting States have long settled the question, for ourselves, almost unanimously, from sad experience. We know how ruinously high duties fell on us; how they desolated our cities, and exhausted our section. We also know how rapidly we have been recovering as they have been going off, in spite of all the difficulties of the times, and the distracted and disordered state of the currency. It is now a fixed maxim with us, that there is not a whit of difference, as far as we are concerned, between an export and import duty—between paying toll going out, or returning in—or going down to market, or returning back. If this be true, of which we have no doubt, it is a point of no little importance to us of the staple States to know what portion of the duties will fall to our lot to pay. We furnish about three-fourths of the exports, with about two-fifths of the whole population. Four-fifths of five millions is four millions, which would be the measure of our contribution; and two-fifths of five millions is two millions, which would



be our share of the distribution; that is to say, for every two dollars we would receive, under this notable scheme, we would pay four dollars to the fund from which it would be derived.

I now ask, what does it amount to, but making the income of the States to the amount of five millions annually, common property, to be distributed among them according to numbers, or some such ratio, without the least reference to their respective contribution? And what is that but rank agrarianism—agrarianism among the States? To divide the annual income is as much agrarianism as to divide property itself; and would be as much so divided among twenty-six States, as among twenty-six individuals. Let me admonish the members opposite, if they really apprehend the spirit of agrarianism as much as might be inferred from their frequent declarations, not to set the fatal example here, in their legislative capacity. Remember there is but one step between dividing the income of the States, and that of individuals, and between a partial and general distribution.

Proceeding a step farther, in tracing consequences, another question presents itself—on what articles shall the duties be laid? On the free or the dutied articles? Shall they be laid for revenue or for protection? Is it not obvious that so large an amount as five millions, equal to one-third of the present income from that source, and probably not much less than one-half what it will be at the end of two years, cannot be raised without rousing from its slumber the tariff question, with all its distraction and danger? Should that, however, not be the case, there is another consequences connected with this, that cannot fail to rouse it, as I shall now proceed to explain.

The act of distributing the sales of the public lands among the States, of itself, as well as the amount to be distributed, will do much to resuscitate their credit. It is the desired result, and the leading motive for the act. Five millions annually, (the amount assumed,) on a pledge of the public domain, would, of itself, be a sufficient basis for a loan of ninety or an hundred millions of dollars, if judiciously managed. But suppose that only one half should be applied, as the means of negotiating loans abroad, in order to complete the old, or to commence new, works of improvement, or other objects. I ask, what would be the effect on our imports, of negotiating a loan in England, or elsewhere in Europe, of forty or fifty millions, in the course of the next year or two? Can any one doubt, from past experience? We all know the process. Very little gold or silver is

ever seen in these negotiations. A credit is obtained, and that placed in bank there, or with wealthy bankers. Bills are drawn on this country, and then sold to merchants. These are transmitted to Europe, and the proceeds returned in goods, swelling the tide of imports in proportion to the amount. The crash of our manufacturers follow, and that, in turn, by denunciations against over-importing and over-trading, in which those who have been most active in causing it are sure to join, but will take special care to make not the least allusion to the real source whence it flows. Is not that the case at this moment? And can it be doubted, that with the increase of the cause, the clamor for protection will increase, until, with united voices, the friends of the system would demand its renewal. If to this we add, that, under the compromise act, the tariff must be revived and remodelled, who can look at such a concurrence of powerful causes without seeing that it would be almost impossible to prevent the revival of the protective system, should the scheme of distribution be adopted? I hazard nothing in asserting that the renewal would certainly follow; and, as this would be one of the most prominent and durable consequences of that scheme, I propose to consider it fully, in its most important bearings.

One of the most striking features of the system is its tendency to increase. Let it be once recognised, and let the most moderate duties be laid for protection; but put the system in motion, and its course would be onward, onward, by an irresistible impulse, as I shall presently show, from past experience; and hence the necessity of vigilance, and a determined resistance to every course of policy that may by possibility lead to its renewal. This tendency to increase, results from causes inherent and inseparable from the system, and has evinced itself by the fact, that every tariff for protection has invariably disappointed its friends in the protection anticipated, and has been followed periodically, after short intervals, by a demand for another tariff with increased duties, to afford the protection vainly anticipated from its predecessor. Such has been the result throughout, from 1816 to 1823, when the first and last protective tariffs were laid, which I propose now to show by a very brief historical sketch of the rise and progress of the system.

The late war, with the embargo, and other restrictive measures that preceded it, almost expelled our commerce from the ocean, and diverted a vast amount of capital, that had been employed in it,

to manufactures. Such was the cause that led to the system. After the termination of the war, there was, on the part of Congress and the country, the kindest feeling toward the manufacturing interest, accompanied by a strong desire so to adjust the duties (indispensable to meet the expenses of Government, and to pay the public debt) as to afford them ample protection. The manufacturers were consulted, and the act of '16 was modelled to their wishes. They regarded it as affording sufficient and permanent protection, and I, in my then want of experience as to the nature of the system, did not dream that we would hear any more of tariff, till it would become necessary to readjust the duties, after the discharge of the public debt. Vain expectation! Two years had not passed away before the manufacturers were as clamorous as ever for additional protection; and to meet their wishes, new duties were laid, from time to time, with the same result; but the clamor still returned, till 1824, when the tariff of that year passed, which was believed on all sides to be ample, and was considered, like that of '16, to be a final adjustment of the question. It was under this impression that the South acquiesced (reluctantly) in the very high duties it imposed. The late General Hayne, then a distinguished member of this body, took a very active part against it; and I well remember, after its passage, that he consoled himself with the belief that, though oppressive, it would be the last. His expectation proved as vain as mine in '16. Before two years had passed, we were again besieged with the cry of the inadequacy of the protection; and, in the summer of 1827, a large convention of manufacturers from all parts was held at Harrisburg, in Pennsylvania, to devise a new and more ample scheme of protection to be laid before Congress at the next session. That movement ended in the adoption of the tariff of 1828, which, in order to make sure work, went far beyond all its predecessors in the increase of duty. The duties were raised on the leading articles of consumption from forty to fifty per cent. above former duties, as high as they were. I speak conjecturally, without any certain data. In less than three years, even that enormous rise proved to be insufficient, as I shall presently show, and would certainly have been followed by new demands for protection, had not the small, but gallant, State I represent, arrested its further progress—no, that is not strong enough—brought the system to the ground, against the resistance of the Administration and Opposition—never, I trust, to rise again.

The fact disclosed by this brief historical sketch

is, that there is a constant tendency to increase in the protective system; and that every increase of duty, however high, requires periodically, after a short interval, an additional increase. This, as I have stated, is not accidental, but is the result of causes inherent in the system itself, in the present condition of our country. It originates in the fact, that every increase of protection is necessarily followed by an expansion of the currency, which expansion must continue to enlarge till the increased price of production in consequence shall become equal to the increased duty, and when the importation of the articles prohibited may again take place with profit. That is the principle; and as it is essential to the peace and prosperity of the country that it should be clearly understood, I intend to establish its truth beyond doubt or cavil; and for that purpose, shall begin with the tariff of '28, the last and by far the boldest of the series, with the view of illustrating, in its case, the operation of the principle. I entreat the Senate to give me its fixed attention. The principle, well understood, will shed a flood of light on the past and present difficulties of the country, and guide us in safety in our future course.

To give a clear conception of the operation of the tariff of 1828, it will be necessary to premise that it comprehended all the leading articles of consumption that could be manufactured in our country; amounting in value to not much less than one-half of the whole of the imports; that the duties on these articles were increased enormously, as has been stated—say not less than forty or fifty per cent; that the average domestic exports at the time was not much short of sixty millions of dollars, and the imports for consumption about the same; that the revenue from the imports was about half that sum; and that of the exports, about three-fourths consisted of the great agricultural staples of the South. What, then, with these facts, must have been its necessary operations on the currency of the manufacturing States? We export to import. It is impossible to continue to export for any considerable length of time, without a corresponding return of imports. It would be to give away our labor for nothing. Our exports, then, continuing at an average of sixty millions, in what, under the operation of the tariff of 1828, must the corresponding imports to the same amount return? Not, certainly, to the same extent as before its passage, in the articles on which it had so greatly increased the duties? Its object in raising them, was to give our manufactures the home market, by excluding the foreign articles of the same descrip-



tion. If it failed in that, it failed in accomplishing any good whatever, and became an unmixed evil, without benefit to any one. The return, then, of imports, must have been principally in articles on which the duties were not raised, as far as the consumption of the country would warrant, and the balance, after paying what was due abroad, in gold and silver. The first effect, then, must have been to turn the foreign exchange in our favor; a most important consequence connected with the increase of gold and silver in relation to the currency. The next must have been to turn the domestic exchanges still more strongly against the staple States, and in favor of the manufacturing. To understand this portion of the operation, I must again repeat that the object of the tariff was to cut off the consumption of the foreign articles, in order that they should be supplied by our own manufactures. The necessary consequence of this must have been to diminish the demand abroad, and to increase it in the manufacturing States, and thereby to turn the influx of gold and silver to that point, in order to purchase the supplies there, which we have been in the habit of obtaining from abroad. These causes combined, must have had the effect of adding greatly to the capacity of the banks in that quarter to extend their discounts and accommodations, and with it the circulation of their notes. With a growing supply of specie, and the exchange favorable in every direction, as must have been the case, there is no limit to the business of banks, nor are they slow to perceive or to act on such favorable circumstances. Nor must we overlook another powerful cause in operation, the fiscal action of the Government, through the operation of which the vast sums collected under such high duties, was transferred to the same quarter, to be applied in discharge of the public debt, and disbursed on the innumerable objects of expenditure there.

Under the operation of such powerful causes, there could not but be a vast and sudden expansion of the currency where they were in such great activity, and with that expansion a corresponding increase of prices and the cost of production. Nor could this state of things cease till the increased cost of production become equal to the duty imposed for protection. At that point, and not before, must specie cease to flow in, and the exchange to be favorable; but when reached, the tide must turn, importations of the protected articles would recommence, specie flow out, and exchanges become adverse. This must be so obvious, that it would only darken to attempt to make it more clear. With the turn of the tide the banks

must contract, and pecuniary embarrassment and distress follow. Such, under the operation of the causes assigned, must be the result, for reasons which appear to me irresistible. But, sir, I do not mean to leave so important a point to the mere force of argument, however clear and certain. I intend to prove by incontestable authority of documents, such was, in fact, exactly the result. I intend to place the principle laid down, as I have said, beyond doubt or cavil.

The first authority I shall adduce, is from the\* report of a committee of the other House, made in February, 1832, by Campbell P. White, the chairman, then a member from the city of New York. The report is evidently drawn with great care, and by one familiar with the subject; and has the advantage of being on another subject, (the currency,) without any reference to the tariff or protective system, and evidently without any knowledge of its operation. Hear, then, what the report says:

"The recent export of specie has swept away the delusive coloring given to the actual result of production in 1829, 1830, and the early part of 1831. Real estate appreciated greatly; local stocks commanded unheard of prices; warehouses and dwellings were improved and embellished, and money was so abundant, that it could readily be obtained to any amount, upon promissory notes. How changed is the general aspect of things within a few months? All our solid possessions and means of industry remain, and continue to be equally productive, labor is recompensed with its usual reward; the seasons have not been unfriendly. Whence, then, this lamentable change in our affairs? Why this great scarcity of money; depreciation in value of all commodities, and of all property; great commercial distress, and absolute impossibility with many solvent persons to discharge their just debts; so speedily and grievously succeeded the gratifying and prosperous picture which was so lately presented?"

What a confirmation of the deductions of reason, both in the swelling tide of prosperity, and the turning ebb of adversity. The sketch of the latter is not unsuited to the present time; good seasons, and productive years, and every element, apparently, of plenty and prosperity, and yet deep and wide spread distress; though, at that time, there had been no removal of deposits, nor had the Sub-Treasury been heard of, to which gentlemen are now disposed to attribute all the calamities which afflict the country.

The author of the report could give no satisfactory answer to his question, whence all this sudden and unlooked for calamity; but he has furnished us with the means of tracing it clearly to the tariff of 1828. It went into operation on the 1st of September of that year, and the next year felt the swelling, but delusive tide of an expanding currency; the exchange turned in our favor; gold and silver, following the impulse, flowed in; banks began to enlarge their discounts and circulation. It con-

\*Document 278, House of Representatives.



tinued to swell with a stronger and stronger current, through all the subsequent year, and the first part of the next, nearly three years, according to the usual period, when it began to ebb; and then followed the reverse scene, so feelingly described by the author, and which to him appeared so unexpected and unaccountable. It was at this point, had not the movements in the South arrested the farther progress of the system, that there would have been another clamor for additional duties. The distress, as usual, would have been attributed to over-importation, and that to the want of adequate protection, and in 1832, (the usual period of four years having intervened,) another protective tariff would have been inflicted, to be followed by the same train of consequences, and with equal disappointment to its authors.

Now, sir, to show that the flowing in of the precious metals, in consequence of the tariff of '28, is not a mere assumption, I have extracted from the public documents, for the years 1829 and 1830, the imports and exports of gold and silver, which I hold in my hand. The import in '29 was \$7,403,612, and the export \$4,311,134, making an excess of imports over exports of \$3,092,478; and for 1830, \$8,155,964 against \$1,241,622, making an excess of imports of \$6,914,342; making, in the two years, an excess of imports of \$10,006,810. By turning to the report already cited, it will be seen that the estimated amount of specie in the country on the first of January, 1830, was but \$25,000,000, of which \$5,000,000 were in circulation, and \$20,000,000 in the vaults of the banks; so that the addition to the specie in the two years was forty per cent. on the whole amount.

It now remains to be shown what was the effect of this great proportional increase of specie, and the favorable state of the exchange which it indicates, had on the banks in the manufacturing States. The report will furnish the information, not fully, but enough to satisfy every reasonable man. It gives the following statement of the amount of bank notes in circulation in 1830 and 1832, respectively, in the States of Massachusetts, Rhode Island, New York, and Pennsylvania, including the Bank of the United States, which will show the vast increase in the short space of two years.

Here Mr. C. read the following statement:

	1830.	1832.	Rel. increase of circ'n in two years.
Massachusetts,	\$4,730,000	\$7,700,000	65 per ct.
Rhode Island,	670,000	1,340,000	100 "
New York,	10,000,000	14,100,000	40 "
Pennsylvania,	7,300,000	8,760,000	20 "
Bank U. States,	15,300,000	24,600,000	67 "
	\$38,000,000	\$56,500,000	

These are, it will be borne in mind, the principal manufacturing States. In the period of two years, we find their bank circulation, taken in the aggregate, expanded from thirty-eight to fifty-six and a half millions of dollars, making an increase of sixteen and a half millions, equal to forty-four per cent. But this falls far short of the actual increase. The year 1829 is not included. It must have been one of great expansion, as the import of specie greatly exceeded its exports; which, with the

favorable state of the exchange implied, must have greatly increased the business of the banks and the circulation of their notes. The reverse must have been the case in 1832, which is included, as we know by the report itself, that year and the latter part of the preceding, was a period of severe contraction. If a return could be had of 1829, '30, and the early part of '31, I venture nothing in asserting that we should find the comparison, compared with 1828, the year of the tariff, far greater in proportion.

That there is no mistake in attributing this great expansion to the tariff, might be farther shown, if additional proof were necessary, after such conclusive evidence, from the fact that it is impossible to assign any other adequate cause. As far as can be seen, there was no other cause in operation, political or commercial, that could have produced the results. It was a period of profound peace, and the exports and imports of the country steady to an unusual degree.

Should doubt, however, still remain in the mind of any one after all this accumulation of evidence, I will next call the attention of the Senate to a fact which must be conclusive with all disposed to receive the truth. By turning to the table showing the extent of bank circulation in '30 and '32 in the four States already referred to, it will be seen that the expansion was greater or less, just as the States, respectively, were more or less manufacturing. It will not be doubted that Rhode Island is the most manufacturing of the four, and we accordingly find there the greatest expansion; and that for the simple reason, that there the causes assigned must have been in the state of the greatest activity. Her bank circulation doubled in the short space of two years, as appears by the table. Massachusetts is the next; and we find hers is the next highest, being sixty-five per cent. New York is still less so, and hers is but forty per cent.; and Pennsylvania, the least of the four, had, excluding the Bank of the United States, increased only twenty per cent. If the statement had extended farther South, and taken in the staple States, I venture little in making the assertion that, instead of expansion, their bank circulation would, for the same period, have been found in the opposite state, for the reverse reason. It will be seen the Bank of the United States had expanded sixty-seven per cent. This great increase, compared to the local banks of Pennsylvania, may probably be attributed partly to loans negotiated farther East, and not improbably because her accommodations were somewhat enlarged, from causes connected with her efforts, at the time, to obtain a renewal of her charter.

I trust that I have now established to the entire satisfaction of the Senate, the truth of the great principle which has been laid down—that every increase of protective duties is necessarily followed, in the present condition of our country, by an expansion of the currency, which must continue to increase till the increased price of production, caused by the expansion, shall be equal to the duty imposed, when a new tariff will be required. Assuming, then, the principle as incontrovertible, it follows that the natural tendency of the protective system is to expand, in seeking to accomplish its object, till it terminates in explosion. It would



be easy to show, from what has already been stated, that this tendency must continue till the exports shall be so reduced as to be barely sufficient to meet the demands of the country for the articles not included in the protection; as it must be obvious, so long as they exceed that amount, so long must specie continue to be imported, and the exchange to be in our favor, till the protection is broke down by the expansion of the currency.

The consummation, therefore, of the system, must be one of two things: explosion, or the reduction of the exports, so as not to exceed the amount of the unprotected articles; but either termination must prove disastrous to the system; the former by a sudden and violent overthrow, and the latter by the impoverishment of customers and raising up of rivals, as they ceased to be customers. To have a just conception of its operation in this particular, it will be necessary to bear in mind, that the South and the West are the great consumers of the products of the North and East; and that the capacity of the South to consume, depends on her great agricultural staples almost exclusively; and that their sale and consumption depend mainly on the foreign market. What, then, would be the effect of reducing her exports to the point indicated, say to forty or fifty millions of dollars? Most certainly to diminish her capacity to consume the products of the North and East in the same proportion, followed by a corresponding diminution of the revenue, and the commerce and navigation of the country. But the evil would not end there, as great as it would be. It would have an equal or greater effect on the consumption of the West. That great and growing section is the provision portion of the Union. Her wide and fertile region gives her an unlimited capacity to produce grain and stock of every description; and these, for the most part, find their market in the staple States. Cut off their exports, and their market would be destroyed; and with it, the means of the West, to a great extent, for carrying on trade with the Northern and Eastern States. To the same extent, they and the staple States would be compelled to produce their own supplies, and would thus, from consumers, be converted into rivals with the other section.

How much wiser for all would be the opposite system of low duties, with the market of the world opened to our great agricultural staples? The effects would be a vast increase of our exports, with a corresponding increase of the capacity to consume on the part of the South and West, making them rich and contented customers, instead of impoverished and discontented rivals of the other section. It is time that this subject should be regarded in its true light. The protective system is neither more nor less than a war on the exports. I again repeat, if we cannot import, we cannot long export; and just as we cut off or burden the imports, to the same extent do we, in effect, cut off and burden the exports. This I have long seen, and shall now proceed to prove, by reference to the public documents, that my assertion is sustained by facts. The table of exports shows that during the seven years from 1824 to 1831, our domestic exports remained nearly stationary, notwithstanding the great increase of our population

during that period. Your statute book will show, that during the same period, the protective system was in its greatest vigor. The first relaxation took place in December, 1830, under the act of the 20th May, of the same year, which made a great deduction in the duties on coffee and tea. I shall now turn to the table, and give the exports of domestic articles for those years, beginning with 1824:

Here Mr. C. read the following statement:

In 1824 the domestic exports were	\$50,649,500
1825	" " " 66,944,745
1826	" " " 53,055,710
1827	" " " 58,921,691
1828	" " " 56,669,669
1829	" " " 55,700,193
1830	" " " 59,462,029

If we take the average of the first three and the last of these years, we shall find the former is a million and a-half greater than the latter, showing an actual falling off, instead of an increase, to that extent, in our exports.

With 1831, the reduction of duties commenced on the articles mentioned; and in December, 1833, the first great reduction took place under the compromise act. I shall turn to the same table, beginning with 1831, and read a statement of the exports for the eight years under the approach to the free trade system. It is but an approach. I invite especial attention to the rapid rise, after the great reduction in December, 1833.

In 1831 the domestic exports were	\$61,277,057
1832	" " " 63,137,470
1833	" " " 70,317,698
1834	" " " 81,034,162
1835	" " " 101,189,082
1836	" " " 106,916,680
1837	" " " 95,564,414
1838	" " " 96,033,821

How rapid the rise just as the weights are removed! The increase, since the great reduction in 1833, has nearly doubled the average exports, compared with the average of the seven tariff years preceeding 1831, and would have quite doubled them, had not the expanded and deranged condition of the currency, and the consequent embarrassment of commerce, prevented it.

But what will appear still more extraordinary to those who have not reflected on the operation of the protective system, is the great increase of the exports of our domestic manufactures, as the duties go off, following, in that respect, the same law that regulates the exports of the great agricultural staples. It is a precious fact, that speaks volumes, and which demands the serious consideration of the manufacturing portion of the Union. I well remember the sanguine expectations of the friends of the system, of the great increase of the exports of domestic manufactures which they believed would follow the tariff of 1828. Well, we now have the result of experience, under that act, and also under that of a partial approach to free trade, and the result is exactly the reverse of the anticipations of the friends and advocates of protection. So far from increasing, under the tariff of 1828, the exports of manufactured articles actually diminished, while they have rapidly increased just as they have gone off.



But the table of exports shall speak for itself. During the four years, under the tariff of '24, that is from that year to '29, when the tariff of '28 went into operation, the exports of domestic manufactures gradually declined from \$5,729,797, in the year '25, to \$5,548,354 in the year '28. From that time it steadily declined, under the tariff of '28, each succeeding year showing a falling off compared with the preceding, till '33, declining, throughout the period, from \$5,412,320 in '29, to \$5,050,633 in '32, and showing an aggregate falling off, during the whole tariff regime of eight years, from '25 to '32, of nearly \$700,000. At this point, we enter on the relaxation of the system, and there has been an onward move, with but little vibration, throughout the whole period, till the present time. The last year we have is '38, when the exports exceeded any preceding year. They amounted to \$8,397,078, being an increase, during the six years of the reduction of duties, of \$3,346,445, against a falling off, in the preceding eight years of protection, of \$700,000—an increase of 65 per cent. in six years, and this in the midst of all the embarrassment of commerce, and expansion and derangement of the currency, and, let me add, what has been so much dreaded by the friends of manufactures, the mighty increase of the exports of our great agricultural staples, during the same period; a clear proof that, under the free trade system, the one does not interfere with the other. Let no friend of manufactures suppose that this interesting result is accidental. It is the operation of fixed laws, steady, and immutable in their course, as I shall hereafter show.

Now, sir, I feel myself, with these facts, warranted in asserting that if the deranged state of the currency had not interfered, the great manufacturing interest would have gone on in a flourishing condition during the whole period of the reduction under the compromise act, proving thereby, to the satisfaction of all, the fallacy of the protective system. Any supposed loss, from the reduction of duties, would have been much more than made up by the increased ability of the South and West to consume, and the rapidly growing importance of the foreign market.

But I have not yet done with the system. It has additional and heavy sins to answer for. The tariff of '28 is the source in which has originated that very derangement of the currency, which has so greatly embarrasses, at this time, the very interest it was intended to protect, as well as all other branches of industry. Bold as is the assertion, I am prepared to establish it to the letter.

It has already been proved that the great expansion of the currency in '29, '30, and '31, was the immediate effect of the tariff of '28. It remains to be shown that the cause of the still greater and longer continued expansion which has terminated in the overthrow of the banking system, and the deep and almost universal distress of the country, may be clearly traced back to the same source. To do this, we must return to the year '32, and trace the chain of events to this time. In that year, the public debt was finally discharged. The vast revenue which had been poured into the Treasury by the tariff of '28, and which had

accelerated the payment of the public debt, could, after its discharge, no longer be absorbed in the ordinary expenditures of the Government, and a surplus began to accumulate in the Treasury. The late Bank of the United States was then the fiscal agent of the Government, and the depository of its revenue. Its growing amount, and prospects of great future increase, began to act on the cupidity of many of the leading State banks and some of the great brokers of New York. Hence their war against that institution; and hence, also, the removal of the deposits. The late President I believe to have been really hostile to the Bank on principle; but there would have been little or no motive to remove them, had it not been for their growing importance, and the hostility which the desire of possessing them had excited. They were removed, and placed in the vaults of certain State banks. To this removal and deposit in the State banks, the members over the way are in the habit of attributing all the disorders of the currency which have since followed. Now I ask, in the first place, is it not certain, if it had not been for the surplus revenue, the deposits would not have been removed? And, in the second, if there would have been a surplus had it not been for the tariff of '28?

Again: is it not equally clear that it was the magnitude of the surplus, and not the removal, of itself, that caused the after derangement and disorder? If the surplus had been but two or three millions, the ordinary sum in deposit, it would have been of little importance where it was kept; whether in the vaults of the Bank of the United States, or those of the States; but involving, as it did, fifty millions and more, it became a question of the highest importance. I again ask, to what is this great surplus to be attributed, but to the same cause? Yes, sir, the tariff of 1828 caused the surplus, and the surplus the removal and all the after disasters in the currency, aggravated, it is true, by being deposited in the State banks; but it may be doubted whether the disaster would have been much less, had they not been removed. Be that, however, as it may, it is not material, as I have shown, that surplus itself was the motive for the removal. We all remember what occurred after the removal. The surplus poured into the Treasury by millions, in the form of bank notes. The withdrawal from circulation, and locking up in the vaults of the deposit banks, so large an amount, created an immense vacuum, to be replenished by repeating the issues which gave to the banks the means of unbounded accommodations. Speculation now commenced on a gigantic scale; prices rose rapidly, and one party, to make the removal acceptable to the people, urged the new depositaries to discount freely, while the other side produced the same effect, by censuring them for not affording as extensive accommodations as the Bank of the United States would have done, had the revenue been left with it. Madness ruled the hour. The whole community was intoxicated with imaginary prospects of realizing immense fortunes. With the increased rise of prices began the gigantic speculations in the public domain, the price of which, being fixed by law, could not partake of the general rise. To enlarge the room for their operations, I know not how many millions



(fifty, I would suppose, at least, of the public revenue) was sunk in purchasing Indian lands, at their fee simple price nearly, and removing tribe after tribe to the West, at enormous cost; thus subjecting millions on millions of the choicest public lands to be seized on by the keen and greedy speculator. The tide now swelled with irresistible force. From the banks the deposits passed by discounts into the hands of the land speculators; from them into the hands of the receivers; and thence to the banks; and again and again repeating the same circle, and, at every revolution, passing millions of acres of the public domain from the people into the hands of speculators, for worthless rags. Had this state of things continued much longer, every acre of the public lands, worth possessing, would have passed from the Government. At this stage the alarm took place. The revenue was attempted to be squandered by the wildest extravagance; resolutions passed this body, calling on the Departments to know how much they could spend, and much resentment was felt because they could not spend fast enough. The deposit act was passed, and the Treasury circular issued; but, as far as the currency was concerned, in vain. The explosion followed, and the banks fell in convulsions, to be resuscitated for a moment, but to fall again from a more deadly stroke, under which they now lie prostrate.

I have now presented, rapidly, the unbroken chain of events up to the prolific source of our disasters, and down to the present time. In addition to the causes originating directly in the tariff of 1828, there were several collateral powerful ones, which have contributed to the present prostrated condition of the currency and the banks, but which would have been comparatively harmless of themselves. Among these was the important change in the charter of the Bank of England, at the last renewal, about the time our surplus revenue began to accumulate, by which its notes were made a legal tender in all cases, except between the bank and its creditors. The obvious effect of this modification was to diminish the demand for specie in that great mart of the world, and, in consequence, must have tended powerfully to keep the exchange with us in an easy condition, while the tide of circulation was rapidly rising to a dangerous height. But there was another cause which contributed still more powerfully to the same result: I refer to the great loans negotiated abroad by States and corporations. To these I add the operation of the United States Bank of Pennsylvania, the direct object of which, in some of its more prominent transactions, was to prevent the exchange from becoming adverse to us.

By the operation of these causes combined, the exchanges were kept easy for years, notwithstanding the vast expansion which our circulation had attained, from the powerful action of the more direct causes to which I have adverted. The stroke was delayed, but not averted, and fell but the heavier and more fatally, because delayed. And where did it fall, when it came, most heavily? Where the measure which caused it originated; on the heads of its projectors. Behold how error,

and vice, in the ways of an inscrutable Providence, turn back on their authors.

It is full time for the North, and more especially for New England, to pause and ponder. If they would hear the voice of one who has ever wished them well, I would say that the renewal of the protective system would be one of the greatest calamities that could befall you. Whatever incidental good could be derived from it, you have already acquired. It would, if renewed, prove a pure, unadulterated evil. The very reverse is your true policy. The great question for you to decide is, how to command the foreign market. The home market, of itself, is too scanty for your skill, your activity, your energy, your unequalled inventive powers, your untiring industry, your vastly increased population, and accumulated capital. Without the foreign market, your unexampled march to wealth and improvement must come to a stand. How, then, are you to obtain command of the foreign market? That is the vital question.

The first and indispensable step is a thorough reformation of the currency. Without a solid, stable, and uniform currency, you never can fully succeed. The present currency is incurably bad. It is impossible to give it solidity or stability. A convertible bank currency, however well regulated, is subject to violent and sudden changes, which must forever unfit it to be the standard of value. It is by far the most sensitive of all to every change, commercial or political, foreign or domestic; as may be readily illustrated by reference to the ordinary action of foreign exchanges on such currency. For this purpose, let us assume that our ordinary circulating medium, when exchanges are easy, amounts to \$100,000,000, consisting, as it does, of convertible bank paper. Let us suppose that it is all issued by what are called sound specie paying banks, with a circulation of three dollars of paper for one dollar in specie, which is regarded as constituting safe banking. Next, suppose exchange abroad turns against us, to the amount of \$10,000,000. Is it not clear, that instead of reducing the circulation by that amount, that is, to \$90,000,000, which it would do if it consisted only of specie, it would be reduced three times the amount; that is, to \$70,000,000? Let us now suppose the exchange to turn the other way, from this point of depression, and to be kept flowing in that direction till it came to be \$10,000,000 in our favor, instead of that amount against us. The result would be, under the operation of the same law, not to increase our circulation to \$110,000,000 only, which would be the case if consisting of specie, but to \$130,000,000; making a difference between the extreme points of depression and elevation of \$60,000,000—more than equal to one-half of the usual amount of circulation by supposition, with a corresponding increase of prices—instead of \$20,000,000, equal only to a fifth, and with but a proportional effect on prices. A change the other way, from the extreme point of elevation to that of extreme depression, would cause the reverse effect. I hold it certain that no honest industry, pursued with the view to moderate and steady profit, can be safe in the midst of such sudden and violent vicissitudes—vicissitudes as if from summer to winter, and from winter to sum-



mer, without the intervention of fall or spring. Such great and sudden changes in the standard of value must be particularly fatal with us, with our moderately accumulated capital, compared to the effect on the greater accumulation abroad, in older countries. In stating the case supposed, I have assumed numbers at random, without pretending to accuracy as applied to our country, simply to illustrate the principle. The actual vibration may be greater or less than that supposed, but in every country where bank circulation prevails, it must be greater and greater, just in proportion to the extent of its prevalence.

For this diseased state of your currency, there is but one certain remedy—to return to the currency of the Constitution. Read that instrument, and hear what it says. "Congress shall coin money and regulate the value thereof; no State shall emit bills of credit, or make any thing but gold and silver a legal tender." Here are positive and negative provisions; a grant of power to Congress, and a limitation on the power of the States, in reference to the currency. Can you doubt that the object was to give to Congress the control of the currency? What else is the meaning "to regulate" the value thereof? Can you doubt that the currency was intended to be specie? What else is the meaning "to coin money?" Can you doubt, on the other hand, that it was the intention that the States should not supersede the currency which Congress was authorized to establish? What else is the meaning of the provisions that they shall not issue bills of credit, or make any thing but gold and silver a legal tender? Can we doubt, finally, that the country is not in the condition that the Constitution intended, as far as the currency is concerned? Does Congress, in point of fact, regulate the currency? No. Does it supply a coin circulation? No. Do the States, in fact, regulate it? Yes. Does it consist of paper, issued by the authority of the States? Yes. Is this paper, in effect, a legal tender? Yes; it has expelled the currency of the Constitution, and we are compelled to take it or nothing. Well, then, as the currency is in an unconstitutional condition, the conclusion is irresistible that the Constitution has failed to effect what it intended, as far as the currency is concerned; but whether it has failed by misconstruction, or the want of adequate provisions, is not yet decided. Thus much, however, is clear; that it is through the agency of bank paper that it has failed, and the power intended to be conferred on Congress over the currency has been superseded. But for that, the power of Congress over the currency would have been this day in full force, and the currency itself in a constitutional condition. Nor is it less clear, that the Constitution cannot be restored, while the cause which has superseded it remains; and this presents the great question, how can it be removed? I do not intend to discuss it on this occasion. I shall only say, that the task is one of great delicacy and difficulty, requiring much wisdom and caution, and in the execution of which, precipitation ought to be carefully avoided; but when executed, then, and not till then, shall we have the solid, stable, and uniform currency intended by the Constitution, and which is indispensable, not only to the

full success of our manufactures, and all other branches of productive industry, but also to the safety of our free institutions.

The next indispensable step to secure to the manufacturers the foreign market, is low duties and light burdens on productions; yes, as low and light as the wants of the Government will permit. The less the burden—the freer and broader the scope given to the products of our manufactures—the better for them. Above all, avoid the renewal of the protective system. It would be fatal, as far as the foreign market is concerned.

Its hostile effects I have already shown from the table of exports; and shall now, by a few brief remarks, prove that it must be so. Passing by other reasons, I shall present but one, but that one decisive. It has been shown that the effect of the protective system is to expand the currency in the manufacturing sections, until the increased price of production shall become equal to the duty imposed for protection, when the importation of the protected articles must again take place; that is to say, that its effects are to enable foreign manufacturers to meet ours in our own country, under the disadvantage of paying high additional duties. How, then, with that result, would it be possible for our manufacturers to meet the foreign fabrics of the same description abroad, where there can be no duty to protect them? There can be no answer. The reason is decisive.

I do not wish, in what I have said, to be considered the advocate of low wages. I am in favor of high wages; and agree that the higher the wages, the stronger the evidence of prosperity; provided (and that is the important point) they are so naturally, by the *effectiveness of industry*, and not in consequence of an inflated currency, or any artificial regulation. When I say the effectiveness of industry, I mean to comprehend whatever is calculated to make the labor of one country more productive than that of others. I take into consideration skill, activity, energy, invention, perfection of instruments and means, mechanical and chemical; abundance of capital, natural and acquired; facility of intercourse and exchanges, internal and external, and, in a word, whatever may add to the productiveness of labor. High wages, when attributable to these, is the certain evidence of productiveness, and is, on that account, and that only, the evidence of prosperity. It is easily understood. Just as such labor would command, when compared with the less productive, a greater number of pounds of sugar or tea, a greater quantity of clothing or food, in the same proportion would it command more specie, that is, higher wages, for a day's work. But, sir, here is the important consideration: high wages from such a cause, *require no protection*—no, not more than the high wages of a man against the low wages of a boy, of man against women, or the skillful and energetic against the awkward and feeble. On the contrary, the higher such wages the less the protection required. Others may demand protection against it—not it against others. The very demand of protection, then, is but a confession of the want of effectiveness of labor (from some cause) on the side that makes it; but, as a general rule,

it will turn out that protection, in most cases, is a mere fallacy; certainly so when its effects are an artificial expansion of the currency. So far are high wages from being the evidence of prosperity, in such cases, or, in fact, whenever caused by high protection, high taxes, or any other artificial cause, it is the evidence of the very reverse, and always indicates something wrong, and a tendency to derangement and decay.

Having arrived at this conclusion, I will now hazard the assertion, that in no country on earth is labor, taking it all in all, more effective than ours; and especially in the Northern and Eastern portions. What people can excel our Northern and New England brethren in skill, invention, activity, energy, perseverance, and enterprise? In what portion of the globe will you find a position more favorable to a free ingress and egress, and facility of intercourse, external and internal, through the broad limits of our wide spread country—a region surpassed by none, taking into consideration extent and fertility? Where will you find such an abundant supply of natural capital, the gift of a kind Providence; lands cheap, plenty and fertile; water power unlimited; and the supply of fuel, and the most useful of metal's iron, almost without stint. It is true, in accumulated capital, the fruits of past labor, through a long succession of ages, not equal to some other countries, but even in that, far from being deficient, and to whatever extent deficient, would be more than compensated by the absence of all restrictions, and the lightness of the burden imposed on labor, should our Government, State and General, wisely avail itself of the advantages of our situation. If these views be correct, there is no country where labor, if left to itself, free from restriction, would be more effective, and where it would command greater abundance of every necessary and comfort, or higher wages; and where, of course, protection is less needed. Instead of an advantage, it must, in fact, prove an impediment. It is high time, then, that the shackles should be thrown off industry, and its burden lightened, as far as the just wants of the Government may possibly admit. We have arrived at the manhood of our vigor. Open the way—remove all restraints—take off the swaddling cloth that bound the limbs of infancy, and let the hardy, intelligent and enterprising sons of New England, march forth fearlessly to meet the world in competition, and she will prove, in a few years, the successful rival of old England. The foreign market once commanded, all conflicts between the different sections and industry of the country would cease. It is better for us and you, that our cotton should go out in yarn and goods, than in the raw state; and when that is done, the interests of all the parts of this great Confederacy—North, East, South, and West—with every variety of its pursuits, would be harmonized; but not till then.

If the course of policy I advocate be wise as applied to manufactures, how much more strikingly so must it be when to the other two great interests of that section, commerce and navigation? I pass the former, and shall conclude what I intended to

say on this point, with a few remarks applicable to the latter. Navigation (I mean that employed in our foreign trade) is essentially our outside interest, exposed to the open competition of all the world. It has met, and met successfully, the competition of the lowest wages, not only without protection, but with heavy burdens on almost every article that enters into the outfit, the rigging, and construction of our noble vessels, the timber excepted. If, with such onerous burdens, it has met in successful rivalry the navigation of all other countries. What an impulse it would receive if the load that bears down its springs were removed! and what immense additions that increased impulse would give, not only to our wealth, but to the means of national influence and safety, where only we can be felt, and in the quarter from which only external danger is to be apprehended!

I have now, Mr. President, concluded what I proposed to say, when I rose to address the Senate. I have limited my remarks to the prominent consequences, in a pecuniary and fiscal view, which would result, should the scheme of assumption be adopted. There are higher, and still more important, consequences, which I have not attempted to trace: I mean the effects, morally and politically, as resulting from those which I have traced, and presented to the Senate. This, I hope, may be done by some other Senator, in the course of the discussion. But I have said enough to show that the scheme which these resolutions are intended to condemn, ought to be avoided as the most fatal poison, and the most deadly pestilence. It is, in reality, but a scheme of plunder. Let blood be lapped, and the appetite will be insatiable.

But the States are deeply in debt, and it may be asked what shall be done? I know that they are in debt—deeply in debt. I deplore it. Yes, in debt, I am not afraid to assert it, in many instances, for the most idle projects, got up and pursued in the most thoughtless manner. Nor am I ignorant how deep pecuniary embarrassments, whether of States or individuals, blunt every feeling of honest pride, and deaden the sense of justice; but, I do trust, that there is not a member of this great and proud Confederacy, so lost to every feeling of self-respect and sense of justice, as to desire to charge its individual debts on the common fund of the Union, or to impose them on the shoulders of its more prudent associates; or, let me add, to dishonor itself, and the name of an American, by refusing to pay the foreigner what it justly owes. Let the indebted States remember in time, that there is but one honest mode of paying its debts; stop all further increase, and impose taxes, to discharge what they owe. There is not a State, even the most indebted, with the smallest resources, that has not ample resources to meet its engagements. For one, I pledge myself; South Carolina is also in debt. She has spent her thousands in wasteful extravagance on one of the most visionary schemes that ever entered into the head of a thinking man. I dare say this even of her; I, who on this floor stood up to defend her almost alone against those who threatened her with fire and sword, but who now are so squeamish about



State Rights as to be shocked to hear it asserted that a State is capable of extravagant and wasteful expenditures. Yes, I pledge myself that she will pay punctually every dollar she owes, should it take the last cent, without inquiring whether it was spent wisely or foolishly. Should I in this be by

possibility mistaken—should she tarnish her un-  
 lied honor, and bring discredit on our common  
 country, by refusing to redeem her plighted faith,  
 (which I hold impossible,) deep as is my devotion  
 to her, and mother as she is to me, I would disown  
 her.



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